

Message Text

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ACTION EB-08

INFO OCT-01 IO-13 ISO-00 CEA-01 CIAE-00 COME-00
DODE-00 FRB-03 H-01 INR-10 INT-05 L-03 LAB-04
NSAE-00 NSC-05 PA-01 CTME-00 AID-05 SS-15 STR-07
ITC-01 TRSE-00 ICA-11 SP-02 SOE-02 OMB-01 DOE-15
STRE-00 AGR-01 AF-10 ARA-10 EA-10 EUR-12 NEA-11
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P 301842Z JUN 78

FM USMISSION GENEVA

TO SECSTATE WASHDC PRIORITY 1563

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USMTN

USEEC

PASS ELECTRONICALLY STR (STARKEY) AND USDA (SAYLOR)

E.O. 11652: N/A

TAGS: MTN, ETRD

SUBJECT: BILATERAL WITH EC RE BEEF TRADE

1. A BILATERAL CONSULTATION ON BEEF WAS HELD WITH THE EC ON JUNE 29. THE EC DELEGATION WAS LED BY ORIGER AND INCLUDED REPRESENTATIVES OF MEMBER STATES. THE U.S. DELEGATION WAS LED BY KOENIG WITH EARLY AND KARPOFF (FAS) ATTENDING.

2. ORIGER BEGAN BY STATING THE EC WOULD AGAIN LIKE TO HAVE ACCESS TO THE U.S. BEEF MARKET AND BE CONSIDERED WHEN VOLUNTARY RESTRAINT PROGRAMS ARE NEGOTIATED. IN RETURN, THE EC WOULD ENVISION AMENDING THEIR SUBSIDIES ON BEEF

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TO RESPECT A CERTAIN PRICE DISCIPLINE ON THE U.S. MARKET. THE PRICE COULD BE THE AUSTRALIAN PRICE, THE NEW ZEALAND PRICE, OR A PRICE WHICH COULD BE FIXED BILATERALLY.

3. U.S. POINTED OUT THAT THE EC HAS ALWAYS HAD ACCESS TO THE U.S. MARKET WITH UNSUBSIDIZED EXPORTS. THEREFORE THE QUESTION IS EXPORT SUBSIDIES AND COUNTERVAILING

DUTIES. WHEN ASKED WHAT IRELAND AND ULSTER'S SHARE MIGHT BE UNDER THE U.S. RESTRAINT PROGRAM, U.S. DEL RESPONDED THAT AT THE PRESENT TIME THE BASE PERIOD FOR MARKET SHARES WAS 1973-74 BUT QUANTITIES COULD BE ADJUSTED BASED ON PAST PERFORMANCE LEVELS. WHEN ASKED WHY SUBSIDIES WERE NECESSARY, EC DEL SAID THEIR REQUEST WAS TO HAVE ACCESS TO THE U.S. MARKET REGARDLESS OF SUBSIDIES BUT WITH COMMITMENTS OF PRICE DISCIPLINES. U.S. QUESTIONED EC REP ON WHAT REFERENCE PRICE HE PROPOSED AND HOW THE PRICE GUARANTEE WOULD WORK WITH FLUCTUATING MARKET PRICES IN EC AND VARIABLE TRANSPORTATION AND CARRYING CHARGES. FURTHER QUESTIONS INCLUDED WHICH PRICE WOULD BE TAKEN AS THE EXPORT PRICE IN IRELAND, THE RANGE OF FLUCTUATIONS IN THIS PRICE AND WHETHER OR NOT IT WOULD BE A SINGLE PRICE OR A PRICE RANGE. EC DEL GAVE SOME BROAD OUTLINES ABOUT HOW THE MECHANICS MIGHT WORK AND PROMISED TO TRY TO PROVIDE MORE SPECIFIC EXAMPLES NEXT WEEK. US EXPRESSED DOUBTS ABOUT FEASIBILITY OF CONTROLLING A SCHEME BUT TOOK NOTE OF EC SUGGESTIONS WHICH WILL BE SUBMITTED TO WASHINGTON.

4. DISCUSSION TURNED TO U.S. REQUEST FOR 10,000 TONS LEVY-FREE QUOTA FOR HIGH QUALITY BEEF. EC DEL ASKED EXPLANATION OF "HIGH QUALITY" BEEF TO WHICH U.S. DEL READ FROM DEFINITION ACCEPTED BY JAPANESE I.E. USDA PRIME OR CHOICE BEEF OR EQUIVALENT (SPECIFICATIONS GIVEN). LIMITED OFFICIAL USE

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WHEN ASKED IF THE LEVY-FREE GATT QUOTA COULD BE EXPANDED TO INCLUDE THE U.S. REQUEST, THE EC SAID NO BECAUSE U.S. REQUEST WAS FOR ACCESS FOR FRESH, CHILLED OR FROZEN BEEF AND THE GATT QUOTA WAS ONLY FOR FROZEN BEEF. EC DEL SAID HE WOULD PREFER OUR REQUEST BE LIMITED TO CHILLED BEEF BECAUSE IT WOULD BE MORE DIFFICULT IN THAT CASE FOR IMPORTERS TO ACCUMULATE SPECULATIVE STOCKS WHICH WHEN RELEASED COULD IMPACT ON EC PRICES. EC DEL CONCLUDED BILATERALS BY SAYING HE HAD NO MANDATE TO RESPOND TO U.S. REQUEST BUT HE WOULD REPORT SUBSTANCE OF DISCUSSION TO HIS PRINCIPALS.

5. DRAFTED BY EARLY. MCDONALD

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